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Power Corporation of Canada, Limited **Annual Report 1967**

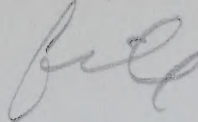
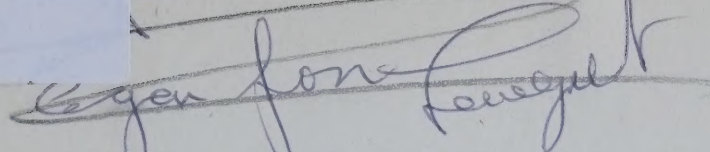


Our Objective:

To Invest Creatively in Canada's Future

To accomplish this objective the policy of Power Corporation of Canada, Limited is to:

1. Make long-term equity investments in industries which have the potential for substantial growth and profitability.
 2. Concentrate our holdings in a limited number of companies which are or can become leaders in their respective industries.
 3. Develop and support competent, self-contained management in each company and assist that company to realize its full potential.
 4. Encourage the development of improved management techniques and new technology, products and markets.
 5. Invest primarily in Canada and in situations outside Canada which are related to Canadian interests and experience.
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POWER CORPORATION OF CANADA, LIMITED

ANNUAL GENERAL MEETING OF SHAREHOLDERS—MAY 29, 1967

INFORMATION CIRCULAR

This Information Circular is furnished in connection with the solicitation of proxies for use at the Annual General Meeting of Shareholders of Power Corporation of Canada, Limited (hereinafter called "the Company") to be held in the Auditorium, Floor M-2, The Royal Bank of Canada Building, Place Ville Marie, Montreal, Quebec, Canada, on Monday, May 29, 1967, and at any adjournment thereof. As a shareholder you are cordially invited to be present at the meeting. To ensure that you will be represented at the meeting, in the event that you are unable to attend personally, you are requested to date, complete and sign the accompanying Instrument of Proxy and to return the same to the Company, c/o Montreal Trust Company, 777 Dorchester Boulevard West, Montreal, Quebec, Canada, in time for use at the meeting. An addressed envelope with postage prepaid accompanies this Information Circular and may be used for such purpose.

Right of Revocation

A shareholder giving the Instrument of Proxy may revoke the same at any time for all subsequent purposes for which the same shall have been given.

Solicitation of Proxies

The enclosed Instrument of Proxy is solicited by the management of the Company. The management does not contemplate a solicitation of proxies otherwise than by use of the mails. The cost of solicitation will be borne by the Company.

Voting Shares and Principal Holders Thereof

There are outstanding as at the date hereof 1,194,570 6% Non-Cumulative Participating Preferred Shares of the par value of \$5.00 each (hereinafter called "Participating Preferred Shares") and 6,198,550 Common Shares without nominal or par value (hereinafter called "Common Shares") of the capital stock of the Company. Each Participating Preferred Share entitles the holder thereof to ten (10) votes per share. Each Common Share entitles the holder thereof to one (1) vote per share.

The holders of either or both of such classes of shares will be entitled to vote at the meeting and at any adjournment thereof if present or represented by proxy thereat.

Mr. Peter N. Thomson, a director and the Chairman of the Company, owns directly 56,640 Common Shares. Canadian Power & Paper Securities Limited (which, through his holdings of shares in another company, Mr. Thomson is in a position to control) owns 793,455 Participating Preferred Shares and 50,000 Common Shares. The said 793,455 Participating Preferred Shares represent approximately 66% of the outstanding Participating Preferred Shares and the said 56,640 and 50,000 Common Shares together represent approximately 1.7% of the outstanding Common Shares.

Election of Directors

The By-laws of the Company provide that the Board of Directors shall consist of eleven directors to be elected annually. The term of office of each director so elected expires upon the election of his successor unless he shall resign or his office becomes vacant by death or other cause.

The following persons are proposed to be nominated for election as directors of the Company:

<u>Nominees for Directors and Principal Occupation</u>	<u>Period of Service as Director</u>	<u>Approximate Number of Equity Shares of the Company and its Subsidiaries Beneficially Owned, Directly and Indirectly, as of May 1, 1967</u>	
		<u>Name of Company</u>	<u>Approximate Number of Shares</u>
W. A. Arbuckle, (1) (2) President, for a period in excess of the five preceding years, of Arbuckle, Govett & Co. Ltd., Managers of Investment Trusts.	1952 to date	Power Corporation of Canada, Limited	3,050 Common Shares
G. Allan Burton, President or Senior Officer, for a period in excess of the five preceding years, of Simpsons, Limited, Department Stores.	1966 to date	Power Corporation of Canada, Limited	100 Common Shares
Howard Butcher III, Partner, of Butcher & Sherrerd, Investment Brokers; Chairman or President, International Utilities Corporation and General Waterworks Corpora- tion, investment holding companies; in each case for a period in excess of the five preceding years.	1964 to date	Power Corporation of Canada, Limited	4,000 Common Shares
J. E. L. Duquet, Q.C., Senior Partner, for a period in excess of the five preceding years, of Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston, Advocates, Barristers and Solicitors.	1962 to date	Power Corporation of Canada, Limited	1,000 Common Shares
D. E. Kerlin, Consultant, formerly President, for a period in excess of the five preceding years, of Montreal Trust Company, a trust company.	1962 to date	Power Corporation of Canada, Limited	300 Common Shares
W. Earle McLaughlin, Chairman and President, for a period in excess of the five preceding years, of The Royal Bank of Canada, a bank.	1961 to date	Power Corporation of Canada, Limited	500 Common Shares
A. D. Nesbitt, (1) (2) President, for a period in excess of the five preceding years, of Nesbitt, Thomson and Company, Limited, Investment Dealers.	1954 to date	Power Corporation of Canada, Limited	1,400 Participating Preferred Shares 600 Common Shares

<u>Nominees for Directors and Principal Occupation</u>	<u>Period of Service as Director</u>	<u>Approximate Number of Equity Shares of the Company and its Subsidiaries Beneficially Owned, Directly and Indirectly, as of May 1, 1967</u>	
		<u>Name of Company</u>	<u>Approximate Number of Shares</u>
Arthur Simard, Chairman or Senior Officer, for a period in excess of the five preceding years, of Marine Industries Limited, Shipbuilders.	1961 to date	Power Corporation of Canada, Limited	7,000 Common Shares
		Inspiration Limited	3,000 common shares
P. N. Thomson, (1) Chairman or Senior Officer, for a period in excess of the five preceding years, of the Company.	1956 to date	Power Corporation of Canada, Limited	56,740 Common Shares (3)
		Canadian Interurban Properties Limited	202,317 common shares (4)
		Inspiration Limited	2,577 common shares
W. I. M. Turner, Jr., (1) President or Senior Officer of the Company since 1963, Comptroller, for a period ending in 1963, of Canadian Ingersoll Rand.	1966 to date	Power Corporation of Canada, Limited	12,850 Common Shares
		Canadian Interurban Properties Limited	100 common shares
		Inspiration Limited	100 common shares (5)
R. L. Weldon, Chairman, for a period in excess of the five preceding years, of Bathurst Paper Limited, pulp and paper manufacturers.	1954 to date	Power Corporation of Canada, Limited	1,000 Participating Preferred Shares 100 Common Shares

(1) Member of the Executive Committee of the Company.

(2) Co-Trustee of the Stock Option Plan of the Company.

(3) Canadian Power & Paper Securities Limited (which, through his holdings of shares in another company, Mr. Thomson is in a position to control) owns 793,455 Participating Preferred Shares and 50,000 Common Shares. In addition, Mr. Thomson's "associates", as that term is defined in The Securities Act, 1966, of Ontario, hold 1,180 Common Shares.

(4) Companies controlled indirectly by Mr. Thomson own 1,000,000 common shares of Canadian Interurban Properties Limited.

(5) Mr. Turner's "associates" own 900 common shares of Inspiration Limited.

Remuneration of Directors and Senior Officers

The following information is given for the last completed financial year of the Company, being the period July 1, 1966, to December 31, 1966, with respect to the directors and senior officers of the Company as a group.

Aggregate direct remuneration paid by the Company and its Subsidiaries whose financial statements are consolidated with those of the Company	\$170,579
Aggregate direct remuneration paid by the Subsidiaries of the Company whose financial statements are not consolidated with those of the Company	\$ 4,500
Approximate aggregate cost to the Company and its Subsidiaries of normal pension benefits	\$ 7,500

The following information as to options is given for the period since the commencement of the last completed financial year of the Company, namely July 1, 1966, with respect to the directors and senior officers of the Company as a group.

Date of Grant (1)	Date of Exercise (1)	No. of Shares (2)	Price per Share	Expiration Date	Price Range (3)	
					High	Low
October 1, 1966		15,000	\$10.125	1971	\$10.50	\$10.00
	September, 1966	62,500	\$ 5.00		\$11.25	\$ 9.875
	November, 1966	2,000	\$10.00		\$10.25	\$ 9.50
	January, 1967	4,500	\$ 9.00		\$10.00	\$ 9.25

(1) All of the options granted and exercised were granted pursuant to the Company's Stock Option Plan dated June 25, 1962.

(2) Common Shares of the Company.

(3) Price Range of Common Shares on Montreal Stock Exchange for the thirty days preceding the date of grant of option or exercise of option, as the case may be.

Interest in Material Transactions

In March, 1967 Shawinigan Industries Limited a wholly-owned subsidiary of the Company created and issued \$4,000,000 aggregate principal amount of secured income debentures. The said income debentures were sold at par, in part to and in part through Nesbitt, Thomson and Company, Limited which company received a commission of \$10,000.00. Mr. A. D. Nesbitt, one of the nominees for directors of the Company, is the holder of more than 10% of the equity shares of Nesbitt, Thomson and Company, Limited.

Appointment of Auditors

Messrs. Touche, Ross, Bailey and Smart are the Auditors of the Company and have held such position for a period in excess of the preceding five years. It is proposed by the management of the Company that such firm be reappointed the Auditors of the Company at the Annual General Meeting.

Designation of Proxy

The persons named in the enclosed Instrument of Proxy have indicated to the Company their willingness to represent as proxy shareholders desiring to so appoint them. **If, however, a shareholder desires to appoint as proxy a person other than those designated, he should strike out the names of the persons designated in the Instrument of Proxy and insert the name of his representative in the space provided therefor.** A person acting as proxy need not be a shareholder of the Company.

Voting of Shares Represented by Management Proxy

The accompanying Instrument of Proxy confers discretionary voting authority upon those persons designated therein. It is intended that the shares represented by all such Instruments of Proxy received by the Company shall be voted in favour of:

the approval of the consolidated balance sheet, statement of consolidated earnings and earned surplus, report of the Auditors and report of the Directors of the Company for the fiscal period ended December 31, 1966;

the election as Directors of the Company of the persons designated in this Information Circular as nominees for election as Directors of the Company; and

the appointment of Messrs. Touche, Ross, Bailey and Smart, Chartered Accountants, as the Auditors of the Company, and with authorization to the Board of Directors to fix the remuneration of the Auditors.

The management of the Company knows of no other business to come before the Annual General Meeting. If, however, any other business properly comes before the Meeting, it is the intention of the persons designated therein to vote the shares represented by such proxy in accordance with their best judgment.

By Order of the Board of Directors,

W. G. E. Lannaman,
Secretary.

Montreal, May 12, 1967.

Power Corporation of Canada, Limited

BOARD OF DIRECTORS

- *W. A. Arbuckle, C.A.,
Chairman of the Canadian Board, Standard Life Assurance Company
- G. A. Burton,
President, Simpsons Limited
- Howard Butcher III,
Chairman, International Utilities Corporation
- J. E. L. Duquet, Q.C., *Senior partner, Duquet, MacKay, Weldon, Bronstetter, Willis & Johnston*
- D. E. Kerlin,
Consultant
- W. Earle McLaughlin,
Chairman and President, The Royal Bank of Canada
- *A. D. Nesbitt,
President, Nesbitt, Thomson and Company Limited
- Arthur Simard, Q.C.,
Chairman, Marine Industries Limited
- *P. N. Thomson,
Chairman of the Corporation
- *W. I. M. Turner, Jr.,
President of the Corporation
- **R. L. Weldon,
Chairman, Bathurst Paper Limited

*Members of the Executive Committee.
**Deceased, March 11, 1968.

HONORARY DIRECTORS

R. R. Moodie
Jas. B. Woodyatt

Power Corporation Developments Limited (a subsidiary company)

OFFICERS

W. I. M. Turner, Jr., *President*
G. W. Rutledge, *Vice-President and General Manager*
E. H. Peck, *Vice-President*
W. G. E. Lannaman, C.A., *Secretary-Treasurer*

OFFICERS

P. N. Thomson, *Chairman*
W. I. M. Turner, Jr., *President*
P. B. Paine, Q.C., *Vice-President*
H. A. Hampson, *Vice-President*
G. W. Rutledge, *Assistant Vice-President*
C. C. Frenette, *General Counsel*
W. G. E. Lannaman, C.A., *Secretary-Treasurer*
A. F. Knowles, C.A., *Comptroller*
P. E. Martin, *Assistant Secretary*

HEAD OFFICE

1 Place Ville Marie, Montreal, Canada

TRANSFER AGENTS & REGISTRARS

Montreal Trust Company,
Montreal, Toronto, Calgary, Vancouver

STOCK LISTINGS

Common Shares: *Montreal, Toronto, Vancouver and London, Eng. Stock Exchanges*

Participating Preferred Shares:
Canadian Stock Exchange

First Preferred Shares:
Montreal and Toronto Stock Exchanges

Power Corporation Australia, Ltd (a subsidiary company)

OFFICERS

R. N. Walford, *Chairman*
W. I. M. Turner, Jr., *Deputy Chairman*
J. D. Wolfensohn, *Deputy Chairman*
D. L. Elsworth, *Managing Director*
F. W. Millar, *Executive Director*
I. R. Harper, *Secretary*

Financial Highlights

	12 Months to December 31, 1967	6 Months to December 31, 1966
INCOME AND EXPENDITURE ITEMS		
Total Income	\$ 7,611,676	\$ 4,047,838
Expenses, excluding interest as % of assets	1,339,548 .83 %	623,112 .64 %
Interest Expense	1,640,732	843,302
Net Earnings	4,631,396	2,533,024
1st Preferred Dividends	1,401,873	710,808
Earned per Common Share ⁽¹⁾ (6,198,550 shares outstanding)	44¢	25¢
Paid per Common Share	44¢	22¢
BALANCE SHEET ITEMS		
Total assets, at market of which, liquid assets	161,196,711 7,656,904	193,320,452 17,198,353
Bank Loans, Notes and Debentures	24,612,758	26,959,281
Long Term Debt	4,650,000	4,750,000
1st Preferred Shares	29,500,000	29,857,500
Breakup Value per Common Share	12.94	16.65
INVESTMENT TRANSACTIONS		
Acquisitions	18,990,689	15,555,833
Disposals	13,933,606	729,701
Net gain realized on disposals ⁽²⁾	3,605,007	258,368

(1) After giving effect to rights of 6% participating preferred shares, but excluding the Corporation's equity in the undistributed earnings of companies in which investments are held.

(2) Credited to investment reserve.

Directors' Report

The Directors have pleasure in submitting to shareholders their 43rd financial report and the audited financial statements of the Corporation and its consolidated subsidiary companies for the 12 months ended December 31, 1967. These are to be presented to the Annual General Meeting of Shareholders to be held in the Auditorium, Floor M2, the Royal Bank of Canada building, Place Ville Marie, Montreal, on Wednesday, May 15, 1968 at 10:30 A.M.

Reflecting the general erosion in market values of certain leading Canadian industries, as well as the special problems confronted by some of the companies in which your Corporation has large sums invested, the net asset value of our common shares declined during the year from \$16.65 to \$12.94. Earnings per share also declined from the annual rate of 50¢ at which they were running in the six month fiscal year ended December 31, 1966 to 44¢ in the twelve months ending December 31, 1967. This decline in earnings reflects mainly a reduction in investment revenues and the increased cost of money. In this connection, it is interesting to note that had the Corporation's proportion of the undistributed earnings of all companies in which it has major investments been included, our total earnings for the year would have amounted to 71¢ per share. On the opposite page, you will find the financial highlights for the 1967 fiscal year and for the previous six month fiscal period which resulted from the change in the Corporation's year-end from June 30th to December 31st 1966.

Although the problems now faced by some of our major companies will not be solved quickly or easily, particularly in the present Canadian economic environment, one should not overlook the fundamental strengths of your Corporation's position. Even after appropriating some \$11½ million from the investment reserve to provide for developments affecting unquoted securities, the investment reserve stands at no less than \$74.9 million or some \$10 per share. Moreover, since the year-end we have realized our entire investment in Congoleum Nairn Inc. at \$30 (U.S.) per share for a total price of \$21.3 million.

Your Corporation's liquid assets now stand at some \$15.6 million after repaying all bank loans. Indeed, our only short-term debt outstanding as at March 31, 1968 is \$10.5 million of short-term income debentures maturing at various dates during the next 10 months. It is the continued intention of your Corporation to keep a moderate amount of such borrowing instruments outstanding as they are a useful and economical form of financing.

Your directors have continued to make quarterly dividend payments at the rate of 11 cents per share established in September 1966. In so doing they have taken into account earnings prospects, the balance of retained earnings, your Corporation's liquidity position and the size of its investment reserve.

The Underlying Companies

The largest decline in your Corporation's investment portfolio in 1967 — almost \$20 million or \$2.70 per share — was due to the fall in the market value of Consolidated-Bathurst Limited. This company, in common with all other Canadian forest product producers, was faced with rising costs and weak markets in 1967. This company is attempting to deal vigorously with its cost problems and has further strengthened its marketing efforts. In addition, it has moved to integrate its operations further by buying APW Products Inc., an industrial tissue producer in the eastern United States, and Orchids Paper Products, a regional tissue products company on the American West Coast. It has also strengthened its position in the European Common Market by buying two concerns which supply a substantial share of the packaging markets in West Germany and have combined net sales of more than \$36 million. Although the short-term outlook for Consolidated-Bathurst is not favourable because of uncertain world markets and difficult labour problems, the steps undertaken by management to increase profitability should lead to an earnings uptrend in the intermediate term. Meanwhile, reflecting continuing heavy capital outlays with accompanying high money costs as well as reduced earnings, that company recently cut its dividend to \$1 per share annually.

Northern & Central Gas Corporation, which acquired control

of over 64% of the common shares of Quebec Natural Gas Corporation last year, made further progress in all areas in 1967. Quebec Natural Gas is expected to make a significant contribution to the overall earnings of Northern & Central in 1968.

Chemcell Limited was adversely affected last year by the problems of the Canadian textile industry and by the loss of certain export markets as a result of the construction of local plants in the countries concerned. However, an effective program of cost control and vigorous marketing efforts have led to improvements in earnings so far in 1968, and that company's management is looking for better results in 1968.

Dominion Glass Co. Ltd., in which your Corporation and Consolidated-Bathurst jointly hold 55.3% of the voting shares as a result of a tender offer in 1967, is now implementing through its reconstituted management a sweeping program of production improvements and cost controls. In addition, the company — which holds some two-thirds of the Canadian glass market — is embarking on a significant plant expansion program with initial emphasis upon its facilities in Ontario and British Columbia. Pending confirmation of earnings recovery as a result of the new measures being taken, and to conserve funds for the projects mentioned above, the directors of Dominion Glass have decided to omit common dividends for the time being.

Laurentide Financial Corporation Ltd.'s net profits continue to increase as the result of the successful implementation of programs instituted by its new management. Moreover, its liquid position is now extremely strong. In line with the policy of disposing of European operations and concentrating on activities in Canada and the Caribbean, Laurentide has sold both its United Kingdom and French subsidiaries and has made a number of acquisitions from coast to coast in Canada. While we do not look for an early resumption of dividends on Laurentide's preferred and common shares, we are convinced that the company now has the ability to compete and grow successfully in a difficult financial environment.

Canada Steamship Lines Limited shipping results in 1967 were affected unfavourably by a series of labour disputes which plagued the lake shipping industry. However, the company's ship-building and trucking operations remained at a high level. The company's liquid asset position remains extremely strong, with working capital of \$15.0 million and cash and short-term investments of \$10.4 million, and it continues to be a leader in its field. As previously announced, we have increased our holdings in this company since December, 1966 by purchasing 173,850 common shares and 144,240 voting preferred shares.

The new mutual fund launched by Capital Management Limited, All-Canadian Venture Fund Ltd., has had a very successful experience in its short life. Assets stand at over \$20 million and its net asset value per share has grown by over 65% in the 13 months since its establishment.

Turning to the field of communications, the Canadian Government has just announced its plans to establish a mixed public and private corporation to develop and operate a Canadian satellite. Precise detail of its ownership and management have yet to be determined. While the role which may be played by your Corporation in this venture is thus still unknown, we are heartened that in its broad outline it follows the submission made by us to Government in October, 1966.

Inspiration Limited, our mining equipment and construction subsidiary, had an unsatisfactory year owing to difficult conditions in the construction industry generally and to difficulties with two large contracts in particular. A loss of \$417,289 was therefore recorded in spite of the fact that the Boyles division and most construction divisions in fact had a satisfactory year. Our investment in this company rose by \$557,000 on balance

during 1967 as the result of increasing our holdings in its new preferred shares and eliminating our debenture investment.

Canadian Interurban Properties made further progress in 1967 and its consolidated earnings, which for the first time include those of William Teron Limited, show a substantial increase. While the timing and profitability of this Company's future investments may be affected to some extent by the high cost of borrowed funds, the residential and commercial projects which are going ahead in 1968 should lead to further increases in profits.

Bahamas-Caribbean Development Corporation Limited has completed a consolidation phase after a very rapid expansion. It now appears to have overcome its most pressing cash and operating problems which resulted mainly from cost overruns on its second hotel project in Freeport. This hotel (Sheraton-Oceanus South) is now open and both hotels are operating satisfactorily under a management contract with the Sheraton Corporation of America. The five principal service companies remaining after disposals effected during the year are reflecting the continued rapid growth of the Freeport area and these companies are expected to show a satisfactory rate of return on investment in 1968.

Our Australian subsidiary company has had an active year. A new company, Power Mining Limited, was formed and this company in association with Anglo American Corporation of South Africa made an unsuccessful take-over bid for Mount Morgan Mines Limited a copper/gold operation in Queensland. However, the shares acquired have since been disposed of at a gain. Power Mining is actively investigating other mineral investments in Australasia. Liverpool Plains, the pastoral company, had a good year and Travelodge Australia (formerly Motels of Australia) continues to expand and to improve its earnings.

Summarizing our investment transactions during 1967, our acquisitions of \$18.9 million consisted principally of \$8.7 million for shares of Dominion Glass; \$6.8 million for common and preferred shares of Canada Steamship Lines; \$1.5 million for preferred shares of Inspiration Ltd.; \$500,000 for Power Mining Limited; and \$400,000 for Bahamas-Caribbean. Among the disposals were some reductions in our holdings in the portfolio class, including \$2.8 million in shares of the Royal Bank of Canada, \$1.6 million of Consolidated-Bathurst preferred, \$285,000 of Brinco and \$1.3 million of International Utilities. Additional sales of the latter company were made after the year-end in the amount \$3,180,000, reducing our holdings as at March 31 to 109,100 shares. In addition to the \$1 million debenture maturity of Inspiration Limited already mentioned, there was a \$4 million maturity of a Laurentide Financial Corporation Ltd. short-term note which was not renewed in view of the substantial excess liquidity of that company.

Proposed Acquisition of Trans-Canada Corporation Fund

As you are no doubt aware, on March 25, 1968 an announcement was made that your Corporation would soon make a formal share exchange offer for all the common shares of Trans-Canada Corporation Fund, a \$75 million holding company whose principal interests include wholly-owned or majority controlled subsidiaries in the field of publishing and communications, transportation, life insurance, race track operations and real estate.

A special meeting of shareholders is being convened concurrently with the Annual General Meeting to authorize the creation of additional share capital and other changes necessary to implement this offer. More details of the proposed transaction will be

contained in the information circular which it is recommended that each shareholder read, but in the meantime, you may wish to note that for each common share of Trans-Canada Corporation Fund now held, it is proposed that the shareholders of that company will be offered one share of a new issue of Power Corporation 5% cumulative redeemable convertible preferred stock having a par value of \$12. Every share of new Power Corporation preferred will have one vote and will be convertible into one share of the common stock of Power Corporation for 10 years. The new Power Corporation preferred shares will rank after the first preferred shares and prior to the 6% participating preferred shares and common shares now outstanding. If all Trans-Canada shareholders accept the offer, 4,136,810 of the new Power Corporation convertible preferred shares would be outstanding.

It is also intended that if the offer for Trans-Canada common shares is accepted, all holders of Power Corporation 6% participating preferred shares will be offered a non-detachable warrant entitling them to subscribe for one new participating preferred share for each three such shares now held at a price of \$12.50 per share for the next five years and \$15.00 per share for a further five years. Your Corporation has been informed that upon completion of the above transactions Gelco Enterprises Limited, which presently owns 53% of Trans-Canada, intends to make an offer to all the holders of 6% participating preferred shares of Power Corporation to acquire from them a proportion of their present holdings in exchange for a portion of Gelco's then holdings of the new preferred shares.

Your directors believe that, in addition to economies of scale, the proposed acquisition would further strengthen the Corporation's operating base and management skills. It would also add significantly to earning power and would cause Power Corporation to become essentially an operating company — albeit with a sizeable investment portfolio — rather than primarily an investment holding company.

In view of this change in character, it is proposed to consolidate the earnings of all operating subsidiaries, other than Imperial Life Insurance Company, rather than just the investment subsidiaries as at present. On this basis, we expect that the 1968 earnings per common and participating preferred share of Power Corporation will be higher than those of 1967.

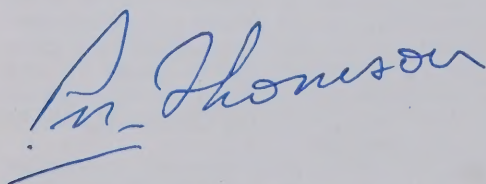
In the longer run, the benefits of this new association would come from the fact that the unified companies will be in a stronger position than would the two enterprises separately to develop the full earning potential of their operating companies.

Directors and Officers

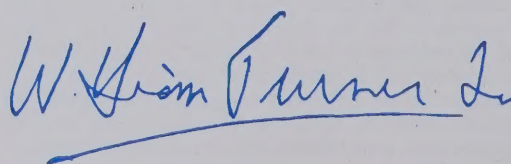
During the year Paul Britton Paine, Q.C., was appointed a Vice-President of Power Corporation. Mr. Paine, who is Chairman of Laurentide Financial Corporation Ltd. was previously senior partner in the legal firm of Paine, Edmonds, Mercer and Williams.

Your Board was deeply grieved by the sudden death on March 11, 1968 of Mr. R. Laurence Weldon, who had been a director of Power Corporation for 13 years. His wisdom and humour will be sadly missed.

The opportunities and problems of our operating companies present challenges which we believe can be dealt with successfully. The economic climate in the last twelve months has been difficult; nevertheless, the position of your Corporation in terms of financial strength and liquidity as well as in management skills and enthusiasm is strong.



Chairman



President

Consolidated Investment Portfolio

as at December 31, 1967

	Bonds, Debs. and Notes (par value)	Preferred Shares	Common Shares		Valuation		
			Number held	% of out- standing	Quoted	Unquoted (note 2)	
CHEMICALS - 5.0%							
Chemcell Limited			1,000,000	7.5	\$ 7,620,000		
FINANCE - 7.2%							
*Capital Management Limited	1,603,972	895,000	10,363	86.3		\$ 1,582,200	
Laurentide Financial Corporation Ltd.	400,000	500,000	3,297,000(a)	13.9	1,084,050	4,013,966(a)	
*Yorkshire Financial Corporation Ltd.			200,000	61.4		2,000,000	
The Royal Bank of Canada			100,000	.3	1,562,000		
RoyWest Banking Corporation Ltd.			250,000	4.0		754,122	
MANUFACTURING - 16.6%							
Congoleum-Nairn Inc.			658,392	25.9	16,354,457		
Dominion Glass Company Ltd.		5,500	655,147	30.9	5,956,823		
*Inspiration Limited		65,000	1,674,556	52.2	2,947,012		
OIL AND GAS - 21.7%							
Canadian Industrial Gas & Oil Ltd.		165,376			1,714,949		
International Utilities Corporation			186,200	2.7	7,866,950		
Northern & Central Gas Corporation			2,000,000	15.3	23,500,000		
PULP AND PAPER - 20.2%							
Consolidated-Bathurst Limited		491,200	925,000	15.6	30,881,946(b)		
REAL ESTATE - 5.6%							
*Canadian Interurban Properties Ltd.			2,715,500	55.3	8,553,825		
TOURISM AND HOTELS - 6.1%							
Travelodge Australia Limited, Group of Companies(c)	4,000,000 US					4,292,146	
Bahamas-Caribbean Development Corp.	400,000	500,000	1,815,190	40.7	1,306,937	900,000	
North American Recreation Industries Ltd.		165,000	110,000	50.0		2,750,000	
TRANSPORTATION - 13.5%							
Canada Steamship Lines Limited		344,240	773,850	30.0	20,573,122		
UNCLASSIFIED - 4.1%							
Dominion Electric Protection Company			3,969	49.0		677,675	
*Liverpool Plains Pastoral Company Pty. Limited	330,000(AUS)		506,000	91.6		616,127	
*Power Mining Limited	438,061(AUS)		6,000	60.0		542,865	
Quebec Telemedia Inc.	2,300,000		50,000	50.0		2,350,000	
Other					658,320	1,407,357	
					<u>\$130,580,391</u>	<u>\$21,886,458</u>	
<i>As per Balance Sheet: — Quoted Securities at Market — Unquoted (Note 2)</i>							
Unconsolidated Subsidiary Companies					\$ 11,500,837	\$ 4,767,775	
Other Companies					119,079,554	17,118,683	
					<u>\$130,580,391</u>	<u>\$21,886,458</u>	

*Unconsolidated Subsidiary

Notes:

- (a) Includes 3,000,000 subordinated common shares and 500,000 subordinated \$1.80 preferred shares valued on a basis related to the market price of the common shares.
(b) Includes the value of 285,000 warrants to purchase common shares at \$40.00 per share.
(c) Formerly Motels of Australia Limited.

Consolidated Balance Sheet

as at December 31, 1967

(with comparative figures for 1966)

Assets

	1967	1966
INVESTMENTS —		
Quoted securities at cost	\$122,408,260	\$109,000,372
(Market value — 1967, \$119,079,554 — 1966, \$135,625,158)		
Unquoted securities and other investments (note 2)	17,118,683	23,531,244
Unconsolidated subsidiary companies		
Quoted securities at cost	11,991,710	10,434,710
(Market value — 1967, \$11,500,837 — 1966, \$9,719,223)		
Unquoted securities (note 2)	4,767,775	6,688,012
	156,286,428	149,654,338
ADVANCES TO TRUSTEES OF SHARE OPTION AND STOCK PURCHASE PLANS (note 5)	1,072,958	558,462
SHORT TERM NOTES AND DEPOSITS —		
at cost which approximates market	5,331,300	15,222,707
CASH AND RECEIVABLES	2,325,604	1,975,646
	<u>\$165,016,290</u>	<u>\$167,411,153</u>

On behalf of the Board:

P. N. Thomson, Director; W. I. M. Turner, Jr., Director.

Auditors' Report

THE SHAREHOLDERS,
POWER CORPORATION OF CANADA, LTD.

We have examined the consolidated balance sheet of Power Corporation of Canada, Limited and consolidated subsidiary companies as at December 31, 1967 and the statements of consolidated earnings and retained earnings, of consolidated investment reserve and of source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of their operations and the source and use of their funds for the

year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change in valuation of investments referred to in note 2.



Chartered Accountants.

Montreal, Que.
April 5, 1968.

Power Corporation of Canada, Limited
and Consolidated Subsidiary Companies

Liabilities

	1967	1966
CURRENT:		
Bank loans (secured)	\$12,112,758	\$18,459,281
Accounts payable	1,221,913	2,084,847
3½ % debentures matured September 1, 1967	—	4,500,000
Secured income debentures of a subsidiary	12,500,000	4,000,000
	<u>25,834,671</u>	<u>29,044,128</u>
LONG TERM:		
5½ % debentures maturing March 1, 1977	<u>4,650,000</u>	<u>4,750,000</u>

Shareholders' Equity

CAPITAL STOCK:		
First preferred shares of \$50 par value issuable in series (note 6)		
Authorized — 1,990,000 shares		
Issued — 590,000 shares 4¾ % cumulative redeemable 1965 series	29,500,000	29,857,500
Six per cent non-cumulative participating preferred shares of \$5 par value		
Authorized — 1,500,000 shares		
Issued — 1,194,570 shares	5,972,850	5,972,850
Common shares of no par value		
Authorized — 10,000,000 shares		
Issued — 6,198,550 shares	12,678,340	12,678,340
INVESTMENT RESERVE	74,937,117	73,641,573
RETAINED EARNINGS	11,443,312	11,466,762
	<u>134,531,619</u>	<u>133,617,025</u>
	<u>\$165,016,290</u>	<u>\$167,411,153</u>

The accompanying notes are an integral part of this statement.

Statement of Consolidated Earnings and Retained Earnings
For the Year Ended December 31, 1967

	Year Ended December 31, 1967		Six Months Ended December 31, 1966	
INCOME FROM INVESTMENTS	\$ 7,376,391		\$ 3,930,868	
Including \$383,955 (1966 - \$168,275) from unconsolidated subsidiaries				
MANAGEMENT AND GENERAL EXPENSES	\$ 1,339,548		\$ 623,112	
Less: Management fees received	235,285		116,970	
	1,104,263		506,142	
DEBENTURE AND OTHER INTEREST	1,640,732	2,744,995	843,302	1,349,444
		4,631,396		2,581,424
TAXES ON INCOME		—		48,400
NET EARNINGS		4,631,396		2,533,024
Less: Dividends on 4¾% first preferred shares 1965 series		1,401,873		710,808
BALANCE OF EARNINGS AVAILABLE FOR 6% PARTICIPATING PREFERRED AND COMMON SHARES		3,229,523		1,822,216
DEDUCT: DIVIDENDS				
6% non-cumulative participating preferred shares	525,611		262,805	
Common shares	2,727,362	3,252,973	1,363,681	1,626,486
		(23,450)		195,730
RETAINED EARNINGS — Beginning of period		11,466,762		11,408,532
		11,443,312		11,604,262
Prior year's income taxes		—		(137,500)
RETAINED EARNINGS — end of period		\$11,443,312		\$11,466,762

The accompanying notes are integral part of this statement.

Statement of Consolidated Investment Reserve

For the Year Ended December 31, 1967

	Year Ended December 31, 1967	Six Months Ended December 31, 1966
BALANCE — beginning of period	\$80,519,829	\$81,999,317
ADD: Surplus realized on investment changes during the period	3,605,007	258,368
Discount on purchase for cancellation of first preferred shares and 5½% debentures	69,549	31,923
	84,194,385	82,289,608
DEDUCT: Cost absorbed under share option and stock purchase plans (note 5)	326,444	414,598
Office furniture and improvements to leased premises	6,509	39,109
Commission and expenses of issuing income debentures of a subsidiary	28,750	22,200
Reversal of surplus on revaluation of investments of a subsidiary	—	1,293,872
	361,703	1,769,779
	83,832,682	80,519,829
EXCESS OF NET ASSETS OVER COST OF INVESTMENTS IN SUBSIDIARIES	2,634,435	2,621,744
	86,467,117	83,141,573
LESS: Appropriation to reduce cost of certain unquoted securities (note 2)	11,530,000	9,500,000
BALANCE — end of period	\$74,937,117	\$73,641,573

Statement of Source and Use of Funds

For the year ended December 31, 1967

	1967	1966
SOURCE OF FUNDS:		
Proceeds from disposal of investments	\$13,933,606	\$ 729,701
Proceeds from issue of debentures	8,500,000	4,000,000
Net earnings	4,631,396	2,533,024
*Reduction in net current assets	2,331,992	11,241,303
	\$29,396,994	\$18,504,028
USE OF FUNDS:		
Purchase of Investments	\$18,990,689	\$15,555,833
3½% debentures due 1967 — matured	4,500,000	—
5½% debentures due 1977 — purchased for cancellation	90,500	114,375
4¾% first preferred shares — purchased for cancellation	297,451	121,202
Increase in advance to trustees of Share Option and Stock Purchase plans	514,496	(217,941)
Miscellaneous charges to Retained Earnings and Investment Reserve	349,012	593,265
Dividends:		
4¾% first preferred 1965 series	1,401,873	710,808
6% non-cumulative participating preferred shares	525,611	262,805
Common shares	2,727,362	1,363,681
	\$29,396,994	\$18,504,028

*Represented by Short Term Notes and Deposits, Cash and Receivables, less Bank Loans and Payables.
The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

For the Year Ended December 31, 1967

1 The consolidated financial statements include the accounts of Power Corporation of Canada, Limited and its investment holding subsidiaries but do not include the accounts of its operating subsidiaries — Capital Management Limited, Canadian Interurban Properties Limited, Inspiration Limited, Yorkshire Financial Corporation Limited and its investments in Australia, Power Mining Limited, Liverpool Plains Pastoral Company Pty. Limited and their subsidiaries.

2 Unquoted Securities and other investments are shown at cost with the exception of certain investments in Laurentide Financial Corporation, the cost of which has been reduced by \$10,030,000.

Unquoted Securities of unconsolidated subsidiary companies are shown at cost with the exception of certain investments in Capital Management Limited and its subsidiaries, the cost of which has been reduced by \$1,500,000.

The total of these reductions, \$11,530,000, has been appropriated from the investment reserve.

For purposes of comparison the 1966 Balance Sheet figures have been restated to reflect a reduction of \$9,500,000 from the cost of certain investments in Laurentide Financial Corporation referred to in the notes to the Consolidated Investment Portfolio as at 31 December 1966.

3 The investment holdings of foreign subsidiaries included in the consolidated statements have been converted to Canadian dollars at rates prevailing at the date of acquisition; all other balance sheet accounts of such subsidiaries have been converted at the rate prevailing at December 31, 1967. Income from such investments was converted at the rates prevailing at the time of receipt.

4 The Corporation's proportion of the aggregate losses less profits of its unconsolidated subsidiaries for their 1967 fiscal years as shown by their last audited financial statements amounted to \$38,308. The Corporation's share of accumulated losses less profits of such subsidiaries since the respective dates of acquisition of control amounted to \$936,429 which has not been provided for in the consolidated accounts.

5 Under the terms of a share option plan options have been granted from time to time to officers and employees to purchase common shares of the Corporation exercisable over various five year periods at prices ranging from \$5.00 to \$14.50 per share. At January 1, 1967 there were options outstanding for the purchase of 70,750 common shares. During the year options on 35,250 common shares were exercised and those on 8,000 common shares lapsed, leaving options on 27,500 common shares outstanding. The Trustees of the Share Option Plan have 24,833 shares on hand, purchased in the open market, and available for the exercise of the outstanding options.

On March 20, 1967 the corporation created a stock purchase plan with the Montreal Trust Company,

William Anstruther Arbuckle and Arthur Deane Nesbitt as trustees thereof with the right to purchase in the market a maximum of 125,000 shares of the Corporation for the benefit of designated officers and employees. Such employees have purchased 71,000 shares at \$10 per share which the trustees of the stock purchase plan have purchased with funds provided by the Corporation.

The difference between the average cost of the shares purchased and the amount receivable from employees under the terms of the Share Option Plan and Stock Purchase Plan has been charged to consolidated investment reserve.

6 During the year 7,150 first preferred shares of \$50 per value, 1965 series, were purchased and cancelled and as a result both authorized and issued shares have been reduced accordingly.

7 The total remuneration received from the Corporation and its consolidated subsidiaries by Directors and Senior Officers of the Corporation and its consolidated subsidiaries during the year ended December 31, 1967 was \$223,570, of which \$126,281 was received by Directors as Directors and/or Officers of the Corporation and its consolidated subsidiaries. In addition, \$8,000 was received by Directors of the Parent Company from unconsolidated subsidiaries.

8 An unconsolidated subsidiary and its subsidiary are defendants in various lawsuits arising out of a management agreement but legal counsel is of the opinion that such lawsuits are unfounded. The latter subsidiary is defendant in a lawsuit arising out of an insurance agreement against which suit a counterclaim has been made and management considers that the company's possible net liability is immaterial.

9(A) Since December 31, 1967 the Corporation has realized \$24,777,000 from the disposal of its holdings in Congoleum-Nairn Inc. and certain other quoted securities. The proceeds from these sales have been applied to:

- a) the repayment of bank loans
- b) the repayment of \$2,000,000 of secured income debentures which matured March 15, 1968 and
- c) the addition of the balance to the general funds of the Corporation.

(B) On March 25, 1968 the Board of Directors of the Corporation approved the making of a formal share exchange offer for all the common shares of Trans Canada Corporation Fund. A tentative agreement has been reached, under the terms of which all common shareholders of Trans Canada Corporation Fund would be offered one share of a new 5% cumulative redeemable convertible preferred stock having a par value of \$12.00. Gelco Enterprises Limited, owner of 53% of the common shares of Trans Canada Corporation Fund has agreed in principle to the acceptance of such an offer.

1 Les états financiers consolidés comprennent les comptes de Power Corporation of Canada, Limited et de ses filiales qui sont des compagnies de placements mais ne comprennent pas les comptes de ses filiales qui sont des compagnies d'exploitation — Capital Management Limited, Canadian Interurban Properties Limited, Inspiration Limited, Yorkshire Financial Corporation Limited ainsi que ses placements en Australie, Power Mining Limited et Liverpool Plains Pastoral Company Pty. Limited et ses filiales.

2 Les titres non-cotés ainsi que les autres placements sont évalués au prix coûtant à l'exception de certains placements dans Laurentide Financial Corporation dont le prix coûtant fut réduit de \$10,030,000.

Les titres non-cotés de filiales non-consolidés sont évalués à leur prix coûtant, à l'exception de certains placements dans Capital Management Limited et ses filiales, dont le prix coûtant fut diminué de \$1,500,000. Le total de ces deux réductions qui s'élève à \$11,530,000 fut soustrait de la réserve de placement.

Pour fins de comparaison, le bilan au 31 décembre 1966 fut modifié afin de refléter une réduction de \$9,500,000 au prix coûtant de certains placements dans Laurentide Financial Corp. tel qu'il est référé aux notes de l'état du portefeuille des placements consolidés au 31 décembre 1966.

3 La valeur des titres en portefeuille des filiales étrangères fut convertie en dollars Canadiens selon les taux qui prévalaient à la date d'acquisition.

Tout autre actif du bilan de ces filiales fut converti selon les taux en cours au 31 décembre 1967. Le revenu de ces placements a été réévalué aux taux de change qui prévalaient lors de leur encaissement.

4 La part de la Compagnie dans l'ensemble des pertes moins profits de ses filiales non consolidées pour leurs exercices fiscaux clos en 1967 est \$38,308 tel qu'indiqué aux états financiers vérifiés. La part de la Compagnie des pertes accumulées moins profits depuis les dates respectives d'acquisition de ses filiales non consolidées est \$936,429, dont aucune provision est faite dans les comptes consolidés.

5 Des options ont été accordées de temps en temps au personnel de direction et aux employés leur permettant, durant diverses périodes de cinq années, d'acheter des actions ordinaires de la Compagnie à des prix variant de \$5.00 à \$14.50 l'action. Au 1er janvier 1967 il y avait 70,750 des options en cours. Des options pour 35,250 actions ordinaires ont été exercées pendant l'année et d'autres sur 8,000 actions ordinaires se sont périmées ce qui laisse un total de 27,500 actions en cours. Les fiduciaires du plan d'options sur action possèdent 24,833 actions, achetées au marché, et sont disponibles advenant l'exercice des options qui sont encore en cours par

leurs détenteurs. Le 20 mars 1967, la compagnie a ins-tauré un plan d'achat d'actions avec le Montreal Trust Company, William Anstruther Arbuckle, et Arthur Deane Nesbitt agissant comme fiduciaires et peuvent acheter au marché, pour le bénéfice de certains employés désignés, un maximum de 125,000 actions de la com-pagnie. Ces employés ont acquis 71,000 actions à un prix de \$10 l'action que les fiduciaires au plan d'achat d'actions avaient achetées avec les fonds que lui avait fournis la compagnie. La différence entre le coût moyen des actions déjà achetées et le montant reçu des em-ployés selon les termes du plan ont été imputé à la ré-serve pour placement consolidé.

6 Pendant l'année 7,150 actions privilégiées priori-taires d'une valeur au pair de \$50, série 1965, ont été achetées et annulées. Le nombre d'actions autorisées et émises a été réduit en conséquence.

7 La rémunération globale payée par la Compagnie et ses filiales consolidées aux administrateurs et officiers de la Compagnie et ses filiales consolidées pendant l'année terminée le 31 décembre 1967 est de \$223,570; de ce montant, \$126,281 fut reçu par les administrateurs en qualité d'administrateurs et/ou d'officiers de la Com-pagnie et ses filiales consolidées. Des administrateurs de la Compagnie ont en outre reçu \$8,000 de filiales non consolidées.

8 Une filiale non-consolidée et sa filiale sont défende-resses dans des poursuites judiciaires relatives à un con-trat de gérance. Nos avocats conseils sont d'opinion que ces poursuites judiciaires sont sans fondement. Cette dernière filiale est également défenderesse dans une poursuite basée sur un contrat d'assurance. Une contre-réclamation fut déposée et les administrateurs estiment que les obligations qui peuvent en résulter demeurent sans conséquence pour la Compagnie.

9(A) La Compagnie a réalisé \$24,777,000 depuis le 31 décembre 1967, par la vente de son placement dans Congoleum-Nairn Inc., ainsi que d'autres titres cotés. Les fonds ont été employés pour :

a) rembourser les emprunts bancaires,

b) rembourser \$2,000,000 de débiteurs garanties à intérêt conditionnel échues le 15 mars 1968 et

c) augmenter l'encaisse de la compagnie.

(B) Le 25 mars 1968, le conseil d'administration de la compagnie a approuvé d'offrir aux actionnaires ordi-naires de la Corporation de valeurs Trans-Canada d'échanger toutes leurs actions. Une entente condition-nelle a été conclue, selon laquelle les détenteurs d'actions ordinaires de Trans-Canada recevraient une nouvelle action privilégiée, 5%, cumulative, rachetable et con-vertible, à une valeur de \$12. Les entreprises Celco Limited qui détiennent 53% des actions ordinaires de Trans-Canada ont accepté l'offre en principe.

État de la réserve pour les placements consolidés pour l'année terminée le 31 décembre 1967

SOLDE — début de l'exercice		SOLDE — fin de l'exercice	
\$81,999,317	\$80,519,829	\$73,641,573	\$18,504,028
AJOUTER : Excédent réalisé par suite de modifications des placements au cours de l'exercice			
Escompte sur actions privilégiées prioritaires et 5½% débentures rachetées en vue de les annuler			
258,368	3,605,007	83,141,573	9,500,000
31,923	69,549	80,519,829	2,533,024
82,289,608	84,194,385	4,000,000	2,533,024
DÉDUIRE : Coût pris à charge en vertu du système d'options sur actions (note 5)			
414,598	326,444	729,701	4,000,000
39,109	6,509	729,701	4,000,000
22,200	28,750	11,241,303	2,533,024
Annulation d'excédent sur réévaluation de placements d'une filiale			
1,293,872	—	11,241,303	2,533,024
1,769,779	361,703	11,241,303	2,533,024
80,519,829	83,832,682	11,241,303	2,533,024
2,621,744	2,634,435	11,241,303	2,533,024
83,141,573	86,467,117	11,241,303	2,533,024
9,500,000	11,530,000	11,241,303	2,533,024
\$73,641,573	\$74,937,117	11,241,303	2,533,024
EXCÉDENT DE L'ACTIF NET SUR LE COÛT DE PLACEMENTS DANS LES FILIALES			
DÉDUIRE : Appropriation pour réduire le coût de certains titres non-cotés (note 2)			
11,530,000	8,500,000	11,530,000	8,500,000
86,467,117	4,631,396	8,500,000	4,631,396
83,141,573	2,331,992	4,631,396	2,331,992
9,500,000	2,331,992	2,331,992	2,331,992
\$73,641,573	\$74,937,117	2,331,992	2,331,992
PROVENANCE DES FONDSD :			
Ventes de placements			
Emission de débentures garanties			
Bénéfice net			
*Réduction des actifs disponibles nets			
\$18,504,028	\$29,396,994	\$29,396,994	\$18,504,028
EMPLOI DES FONDSD :			
Achats de placements			
Débentures 3½% échéant en 1967 — échues			
\$15,555,833	4,500,000	4,500,000	4,500,000
—	90,500	90,500	90,500
114,375	297,451	297,451	297,451
121,202	514,496	514,496	514,496
(217,941)	349,012	349,012	349,012
593,265	1,401,873	1,401,873	1,401,873
710,808	525,611	525,611	525,611
262,805	2,727,362	2,727,362	2,727,362
1,363,681	2,727,362	2,727,362	2,727,362
\$18,504,028	\$29,396,994	\$29,396,994	\$18,504,028
Représenté par billets et dépôts à court terme, encaisse et comptes à recevoir, moins emprunts bancaires et comptes à payer.			
Les notes ci-jointes font partie intégrante des états financiers.			

*Représenté par billets et dépôts à court terme, encaisse et comptes à recevoir,

moins emprunts bancaires et comptes à payer.

Les notes ci-jointes font partie intégrante des états financiers.

État des revenus et bénéfices non répartis consolidés pour l'année terminée le 31 décembre 1967

	L'année terminée le 31 décembre 1967		Les six mois terminés le 31 décembre 1966	
REVENUS DE PLACEMENTS		\$ 7,376,391		\$ 3,930,868
incluant \$383,955 (1966 - \$168,275)				
provenant de filiales non consolidées				
ADMINISTRATION ET FRAIS GÉNÉRAUX	\$ 1,339,548		\$ 623,112	
Moins: Honoraires d'administration perçus	235,285		116,970	
	<u>1,104,263</u>		<u>506,142</u>	
INTÉRÊT DE LA DETTE OBLIGATAIRE ET AUTRES	1,640,732	2,744,995	843,302	1,349,444
	<u>4,631,396</u>		<u>2,581,424</u>	
IMPÔTS SUR LE REVENU	—		48,400	
BÉNÉFICE NET	4,631,396		2,533,024	
Moins: Dividendes sur 4¾% actions privilégiées prioritaires, série 1965		1,401,873		710,808
SOLDE DES BÉNÉFICES DISPONIBLE AUX ACTIONS PRIVILÉGIÉES PARTICIPANTES 6% ET AUX ACTIONS ORDINAIRES		<u>3,229,523</u>		<u>1,822,216</u>
Moins: Dividendes				
6% actions privilégiées participantes non-cumulatives	525,611		262,805	
actions ordinaires	2,727,362	3,252,973	1,363,681	1,626,486
	<u>(23,450)</u>		<u>195,730</u>	
BÉNÉFICES NON RÉPARTIS — début de la période	11,466,762		11,408,532	
Impôt sur le revenu de l'année antérieure		—		(137,500)
BÉNÉFICES NON RÉPARTIS — fin de la période	\$11,443,312		\$11,466,762	

Les notes ci-jointes font partie intégrante des états financiers.

Passif

1967	1966
EXIGIBILITÉS :	
Emprunts bancaires (garantis)	\$18,459,281
Comptes à payer	2,084,847
3½% débiteures échues le 1er septembre 1967	4,500,000
Débiteures garanties à intérêt conditionnel d'une filiale	4,000,000
	29,044,128
DETTE À LONG TERME :	
5½% débiteures échéant le 1er mars 1977	4,650,000
	4,750,000

Avoir des actionnaires

CAPITAL-ACTIONS :	
Actions privilégiées prioritaires d'une valeur au pair de \$50,	
émissibles en série (note 6)	
Autorisées — 1,990,000 actions	
Emises — 590,000 4¾% actions cumulatives rachetables, série 1965	
6% actions privilégiées participantes non-cumulatives d'une valeur au pair de \$5	
Autorisées — 1,500,000 actions	
Emises — 1,194,570 actions	
Actions ordinaires sans valeur au pair	
Autorisées — 10,000,000 actions	
Emises — 6,198,550 actions	
RÉSERVE POUR PLACEMENTS	
BÉNÉFICES NON-RÉPARTIS	
12,678,340	11,443,312
74,937,117	11,466,762
134,531,619	133,617,025
\$165,016,290	\$167,411,153

Les notes ci-jointes font partie intégrante des états financiers.

Actif

1966	1967
\$109,000,372	\$122,408,260
23,531,244	17,118,683
10,434,710	11,991,710
6,688,012	4,767,775
149,654,338	156,286,428
558,462	1,072,958
15,222,707	5,331,300
1,975,646	2,325,604
\$167,411,153	\$165,016,290

Pour le Conseil d'Administration :
P. N. Thomson, Administrateur ; W. I. M. Turner, Jr., Administrateur.

Rapport des vérificateurs

AUX ACTIONNAIRES,
POWER CORPORATION OF CANADA, LIMITED

Nous avons examiné le bilan consolidé de Power Corporation of Canada, Limited et ses filiales consolidées au 31 décembre 1967 et les états des revenus et bénéfices non répartis consolidés, de la réserve pour placements consolidés et de provenance et emploi des fonds pour l'exercice clos à cette date. Notre examen a compris une revue générale des méthodes comptables et les sondages des livres et des pièces justificatives que nous avons jugés nécessaires dans les circonstances.

À notre avis ces états financiers consolidés exposent fidèlement la situation financière des compagnies au 31 décembre 1967 ainsi que les résultats de leurs opérations et les mouvements de leurs trésors-

Comptables agréés.

Montréal, Qué.
Le 5 avril 1968.

David Ross, B. Sc., C. M. A.

retries pour l'exercice clos à cette date, conformément aux principes comptables généralement admis, appliqués suivant les mêmes modalités qu'au cours de l'exercice précédent, exception faite d'un changement dans la manière d'évaluer les placements comme l'explique la note 2.

Obligations, débitures, billets (valeur au pair)	Actions privilegiées	Nombre en mains	Actions Ordinaires		Evaluation	Non-Coté	(note 2)
			% des actions en circulation	% des actions en circulation			

PRODUITS CHIMIQUES - 5.0%							
Chemcell Limited							
		1,000,000	7.5		\$ 7,620,000		
FINANCES - 7.2%							
*Capital Management Limited	1,603,972	895,000	10,363	86.3	1,084,050	\$ 1,582,200	4,013,966(a)
*Laurentide Financial Corporation Ltd.		500,000	3,297,000(a)	13.9			
*Yorkshire Financial Corporation Ltd.			200,000	61.4			
Banque Royale du Canada			100,000	.3	1,562,000		
RoyWest Banking Corporation Ltd.			250,000	4.0		754,122	
INDUSTRIES MANUFACTURIÈRES - 16.6%							
Congoleum-Nairn Inc.	5,500	658,392	655,147	30.9	16,354,457	5,956,823	2,947,012
Dominion Glass Company Limited			1,674,556	52.2			
*Inspiration Limited		65,000					
PÉTROLE, GAZ NATUREL - 21.7%							
Canadian Industrial Gas & Oil Limited	165,376	186,200	2,000,000	2.7	1,714,949	7,866,950	1,714,949
International Utilities Corporation				15.3	23,500,000		
Northern & Central Gas Corporation							
PÂTES ET PAPIERS - 20.2%							
Consolidated-Bathurst Limited							
	491,200	925,000	15.6		30,881,946(b)		
IMMOBILIER - 5.6%							
*Canadian Interurban Properties Limited							
		2,715,500	55.3		8,553,825		
TOURISME ET HÔTELS - 6.1%							
Travelodge Australia Limited, Group of Companies(c)	4,000,000 US	500,000	1,815,190	40.7	1,306,937	4,292,146	900,000
Bahamas-Caribbean Development Corp.							
Les Industries de Récréation							
Nord-Américaines Limitée				50.0		2,750,000	
TRANSPORTS - 13.5%							
Canada Steamship Lines, Limited							
	344,240	773,850	30.0		20,573,122		
DIVERS - 4.1%							
*Liverpool Plains Pastoral Company	330,000(AUS)	506,000	6,000	91.6	616,127	542,865	677,675
Power Mining Limited							
Quebec Telemedia Inc.	2,300,000	50,000	50.0		1,407,357		
Autres compagnies							

Comme indiqué au bilan: — Titres Cotés — Titres Non-Cotés (Note 2)

Filiales non consolidées		\$ 11,500,837	\$ 4,767,775
Autres compagnies		119,079,554	17,118,683
*Filiale non consolidée.		\$130,580,391	\$21,886,458

Notes:
(a) Dont 3,000,000 d'actions ordinaires subordonnées et 500,000 d'actions privilégiées subordonnées, \$1.80 évaluées
suivant une formule reliée au cours des actions ordinaires.
(b) Incluant la valeur des 285,000 warrants pour l'achat d'actions ordinaires à \$40 l'action.
(c) Autrefois Motels of Australia Limited.

Le conseil d'administration a l'honneur de communiquer à Messieurs les actionnaires son 43ème rapport financier ainsi que les états financiers de la Compagnie et de ses filiales consolidés pour l'exercice de douze mois clos le 31 décembre 1967. Ces documents seront présentés à l'assemblée générale annuelle des actionnaires qui se tiendra le mercredi 15 mai 1968, à 10 heures et demie du matin, en l'Auditorium de l'étage M-2 de l'édifice de la Banque Royale du Canada, Place Ville-Marie, à Montréal.

Le réchissement général du cours des actions des radnes sociétés canadiennes et les problèmes particuliers que doivent affronter certaines des entreprises dans lesquelles la Compagnie possède une participation financière importante ont entraîné une réduction de la valeur d'actif net de ses actions ordinaires, qui sont tombées de \$16,65 à \$12,94 pendant l'exercice. Le bénéfice par action a également décliné, passant d'un taux annuel de 50¢ pour l'exercice de six mois clos le 31 décembre 1966 à 44¢ pour l'exercice de douze mois clos le 31 décembre 1967. Cette baisse provient non seulement de la modicité des revenus encaissés mais aussi, dans ses calculs sa part des bénéfices non répartis de toutes les sociétés dans lesquelles elle possède une participation importante, ses bénéfices globaux de l'exercice auraient atteint 71¢ par action. On trouvera en regard de cette page les principaux chiffres comparatifs de 1967 et ceux de l'exercice 1966, qui n'avait été que de six mois, la Compagnie ayant abandonné sa date de clôture du 30 juin pour la reporter au 31 décembre. Bien que certaines de nos principales compagnies se heurtent à des difficultés pour lesquelles il n'existe pas de solution rapide ni facile, particulièrement dans la conjoncture actuelle de l'économie canadienne, il ne faudrait pas sous-estimer la solidité de la situation dans laquelle nous nous trouvons. Même après avoir approprié quelque \$11½ millions pour réifier des faits défavorables à certains placements non inscrits à la cote officielle, notre réserve pour placements s'établit encore à \$74,9 millions, soit environ \$10 par action. En outre, depuis la clôture de l'exercice, nous avons réalisé, à \$30 (américains) l'action, tous les titres de la Congolux Natr Inc. que nous possédions; cette transaction a produit \$21,3 millions. Les disponibilités de la Compagnie s'établissent maintenant à \$15,6 millions environ, après remboursement de toutes les avances bancaires. En fait, les \$10,5 millions de débentures à court terme échéant à diverses dates au cours des dix prochains mois constitueront, au 31 mars 1968, notre seule dette à court terme. La Compagnie se propose de continuer à laisser en circulation des quantités modestes d'instruments de ce type, qui constitueront une forme de financement commode et économique. Le conseil a continué à autoriser le versement des dividendes de 1¢ par action établis en septembre 1966. Avant de le faire, il a considéré de nombreux éléments, et en particulier les bénéfices prévus, le solde des bénéfices non répartis, les disponibilités de la Compagnie et l'ampleur de sa réserve pour placements.

Les entreprises auxquelles nous participons

C'est à la baisse des actions de la Consolidated-Bathurst Limited qu'il faut surtout attribuer la diminution de la valeur de notre portefeuille en 1967; près de \$20,000,000, ou \$2,70 par action. Comme tous les autres producteurs canadiens du secteur forestier, cette compagnie a souffert, en 1967, de l'augmentation des prix de revient et de l'engorgement du marché. L'entreprise a adopté des mesures vigoureuses pour comprimer ses prix de revient et accroître encore son effort de commercialisation. Des plus, elle a élargi l'éventail de ses activités en achetant APW Products Inc., qui fabrique des papiers minces industriels dans l'est des États-Unis, et Orchid Paper Products, une entreprise de produits de papier mince située sur la côte occidentale des États-Unis. Elle a également renforcé ses bases au sein du marché commun européen en faisant l'acquisition de deux entreprises qui fournissent une partie importante de ses besoins de l'Allemagne de l'ouest en produits d'emballage et de papier, à elles deux, un chiffre d'affaires net de plus de \$36,000,000. Bien que les perspectives à court terme de la Consolidated-Bathurst ne soient guère prometteuses étant donné la conjoncture internationale dans le domaine des pâtes et des papiers, les mesures adoptées par la direction pour accroître la rentabilité des activités devraient entraîner, à moyen terme, un redressement des bénéfices. Mais, pour le moment, son programme d'investissements très lourd, le loyer élevé de l'argent et le réchissement des bénéfices ont obligé la Consolidated-Bathurst à réduire son dividende annuel à \$1,00 par action. La Northern & Central Gas Corporation, qui a acheté, l'année dernière, plus de 64% des actions ordinaires de la Corporation de Gaz Naturel du Québec, a continué à progresser dans tous les domaines en 1967. On s'attend à ce que le Gaz Naturel du Québec contribue de façon importante à accroître les bénéfices de la Northern & Central en 1968.

La Canadian Interurban Properties a encore progressé en 1967 et ses bénéfices consolidés, qui englobent pour la première fois ceux de la William Teron Limited, ont considérablement augmenté. Bien que le calendrier d'exécution et la rentabilité des projets d'investissements de cette entreprise risquent d'être quelque peu modifiés en fonction du coût très élevé des emprunts, les maisons privées et les bâtiments commerciaux prévus pour 1968 devraient contribuer à une nouvelle augmentation des bénéfices.

La Bahama-Caribbean Development Corporation Limited vient de passer par une période de stabilisation après une autre d'extension très

Aperçus financiers

REVENUS ET DÉPENSES		
Revenus	\$ 7,611,676	\$ 4,047,838
Rapport des dépenses, excluant intérêts à l'actif net	1,339,548	623,112
Intérêts	1,640,732	843,302
Revenus nets	4,631,396	2,533,024
Dividendes sur actions privilégiées prioritaires	1,401,873	710,808
Bénéfice net par action ordinaire ⁽¹⁾	44¢	25¢
(6,198,550 actions émises)		
Dividende par action ordinaire	44¢	22¢
BILAN		
Total de l'actif, au cours du marché y compris valeurs disponibles	161,196,711	193,320,452
Emprunts bancaires, billets et déventures	24,612,758	26,959,281
Dettes à long terme	4,650,000	4,750,000
Actions privilégiées prioritaires	29,500,000	29,857,500
Valeur de liquidation par action ordinaire	12.94	16.65
MOUVEMENTS DE PLACEMENTS		
Acquisitions	18,990,689	15,555,833
Ventes	13,933,606	729,701
Excédent net réalisé sur ventes ⁽²⁾	3,605,007	258,368

(1) Déduction faite des droits relatifs aux actions privilégiées participantes, 6% cumulatif, mais excluant la quote-part de la Société dans les bénéfices non répartis des sociétés dans lesquelles elle détient une participation.

(2) Ajouté au compte de réserve pour placements.

L'année terminée
31 décembre
1967

Les six mois
terminés
31 décembre
1966

CONSEIL D'ADMINISTRATION

* W. A. Arbuckle, C.A., Président du conseil d'administration canadien,
Standard Life Assurance Company

G. A. Burton,

Président, Simpsons Limited

Howard Butcher III, Président du conseil d'administration, International Utilities Corporation

J. E. L. Duquet, C.R., Associé senior,

Duquet, MacKay, Weldon, Bronsteiter,

Willis & Johnston

D. E. Kerlin,

Consultant

W. Earle McLaughlin, Président du conseil

d'administration et président,

Banque Royale du Canada

* A. D. Nesbitt,

Président, Nesbitt, Thomson et Compagnie Limitée

Arthur Simard, C.R., Président du conseil

d'administration, Marine Industries Limited

* P. N. Thomson, Président du conseil

d'administration de la corporation

Président de la corporation

* W. I. M. Turner, Jr.,

* R. L. Weldon, Président du conseil

d'administration, Les Papeteries Bathurst Limitée

** Membres du comité exécutif.

** Décédé en mars 1968.

ADMINISTRATEURS HONORAIRES

R. R. Moodie

Jas. B. Woodiyatt

Power Corporation Developments Limited
(filiale)

DIRECTION

W. I. M. Turner, Jr., Président

G. W. Rutledge, Vice-président et gérant-général

E. H. Peck, Vice-Président

W. G. E. Lannaman, C.A., Secrétaire-trésorier

DIRECTION

R. N. Walford, Président du conseil d'administration

W. I. M. Turner, Jr., Vice-président

J. D. Wolfensohn, Vice-président

D. L. Elsworth, Directeur

F. W. Milliar, Directeur exécutif

I. R. Harper, Secrétaire

Power Corporation Australia, Limited
(filiale)

TITRES INSCRITS

Actions ordinaires: Bourses de Montréal, Toronto, Vancouver, Bourse de Londres

Actions privilégiées participantes:

Bourse canadienne

Actions privilégiées prioritaires:
Bourses de Montréal et Toronto

AGENT DE TRANSPORT ET D'ENREGISTREMENT

Montreal Trust Company,

Montréal, Toronto, Calgary, Vancouver

BUREAU CHEF

1 Place Ville Marie, Montréal, Canada

DIRECTION

P. N. Thomson, Président du conseil d'administration

W. I. M. Turner, Jr., Président

P. B. Paine, C.R., Vice-président

G. W. Rutledge, Vice-président adjoint

C. C. Frenette, Conseiller juridique

W. G. E. Lannaman, C.A., Secrétaire-trésorier

A. F. Knowles, C.A., Contrôleur

P. E. Martin, Secrétaire adjoint

Notre objectif :

**Faire avec imagination et discernement
des placements fondés sur le potentiel
économique du Canada**

Pour atteindre cet objectif, Power Corporation of Canada, Limited a pour politique de :

1. Faire des placements de participation à long terme dans des industries ayant un potentiel élevé de croissance et de rentabilité.
2. Concentrer nos placements dans un nombre restreint de compagnies qui sont ou peuvent accéder au premier rang dans leurs domaines respectifs.
3. Promouvoir et appuyer, dans chacune de ces compagnies, une direction autonome et capable, et aider ces entreprises à réaliser pleinement leurs possibilités.
4. Favoriser le perfectionnement des méthodes de gestion et la création de procédés techniques, de produits et de marchés nouveaux.
5. Faire nos placements avant tout au Canada et, hors de ses frontières, dans des entreprises ayant avec lui des liens d'intérêts et de compétences.



Power Corporation of Canada, Limited Rapport Annuel 1967